

CHAPTER 11 GAMBLING GAMES

491—11.1(99F) Definitions.

“Administrator” means the administrator of the commission.

“Coin” means tokens, nickels, and quarters of legal tender.

“Commission” means the racing and gaming commission.

“Distributor’s license” means a license issued by the administrator to any entity that sells, leases, or otherwise distributes gambling games to any entity licensed to conduct gambling games pursuant to Iowa Code chapter 99F.

“EPROM” means a computer chip that stores erasable, programmable, read-only memory.

“Facility” means an entity licensed by the commission to conduct gaming operations in Iowa.

“Facility grounds” means all real property utilized by the facility in the conduct of its gaming activity, including the grandstand, concession stands, offices, parking lots, and any other areas under the jurisdiction of the commission.

“Gambling game” means any game of chance approved by the commission for wagering, including, but not limited to, gambling games authorized by this chapter.

“Implement of gambling” means any device or object determined by the administrator to directly or indirectly influence the outcome of a gambling game; collect wagering information while directly connected to a slot machine; or be integral to the conduct of a commission-authorized gambling game, possession or use of which is otherwise prohibited by statute.

“Manufacturer’s license” means a license issued by the administrator to any entity that assembles, fabricates, produces, or otherwise constructs a gambling game or implement of gambling used in the conduct of gambling games pursuant to Iowa Code chapter 99F.

“Slot machine” means a mechanical or electronic gambling game device into which a player may deposit coins, currency, or other form of cashless wagering and from which certain numbers of credits are paid out when a particular configuration of symbols or events is displayed on the machine.

491—11.2(99F) Conduct of all gambling games.

11.2(1) *Commission policy.* It is the policy of the commission to require that all facilities conduct gambling games in a manner suitable to protect the public health, safety, morals, good order, and general welfare of the state. Responsibility for the employment and maintenance of suitable methods of operation rests with the facility. Willful or persistent use or toleration of methods of operation deemed unsuitable in the sole discretion of the commission will constitute grounds for disciplinary action, up to and including license revocation.

11.2(2) *Activities prohibited.* A facility is expressly prohibited from the following activities:

- a.* Failing to conduct advertising and public relations activities in accordance with decency, dignity, good taste, and honesty.
- b.* Permitting persons who are visibly intoxicated to participate in gaming activity.
- c.* Failing to comply with or make provision for compliance with all federal, state, and local laws and rules pertaining to the operation of a facility including payment of license fees, withholding payroll taxes, and violations of alcoholic beverage laws or regulations.
- d.* Possessing, or permitting to remain in or upon any facility grounds, any associated gambling equipment which may have in any manner been marked, tampered with, or otherwise placed in a condition or operated in a manner which might affect the game and its payouts.
- e.* Permitting, if the facility was aware of, or should have been aware of, any cheating.
- f.* Possessing or permitting to remain in or upon any facility grounds, if the facility was aware of, or should have been aware of, any cheating device whatsoever; or conducting, carrying on, operating, or dealing any cheating or thieving game or device on the grounds.

g. Possessing or permitting to remain in or upon any facility grounds, if the facility was aware of, or should have been aware of, any gambling device which tends to alter the normal random selection of criteria which determines the results of the game or deceives the public in any way.

h. Failing to conduct gaming operations in accordance with proper standards of custom, decorum, and decency; or permitting any type of conduct that reflects negatively on the state or acts as a detriment to the gaming industry.

i. Denying a commissioner or commission representative, upon proper and lawful demand, information or access to inspect any portion of the gaming operation.

11.2(3) *Gambling aids.* No person shall use, or possess with the intent to use, any calculator, computer, or other electronic, electrical, or mechanical device that:

a. Assists in projecting the outcome of a game.

b. Keeps track of cards that have been dealt.

c. Keeps track of changing probabilities.

11.2(4) *Wagers.* Wagers may only be made:

a. By a person present at a facility.

b. In the form of chips, coins, or other cashless wagering system.

c. By persons 21 years of age or older.

491—11.3(99F) *Gambling games approved by the commission.* The commission may approve a gambling game by administrative rule, resolution, or motion.

491—11.4(99F) *Approval for distribution or operation of gambling games and implements of gambling.*

11.4(1) *Approval.* Prior to distribution, a distributor shall request that the administrator inspect, investigate, and approve a gambling game or implement of gambling for compliance with commission rules. The distributor, at its own expense, must provide the administrator with information and product sufficient to determine the integrity and security of the product, including independent testing conducted or contracted by the commission.

11.4(2) *Trial period.* Prior to or after commission approval and after completing a review of a proposed gambling game, the administrator may require a trial period of up to 180 days to test the gambling game in a facility. During the trial period, minor changes in the operation or design of the gambling game may be made with prior approval of the administrator. During the trial period, a gambling game distributor shall not be entitled to receive revenue of any kind from the operation of that gambling game.

11.4(3) *Gambling game submissions.* Prior to conducting a commission-authorized gambling game or for a trial period, a facility shall submit proposals for game rules, procedures, wagers, shuffling procedures, dealing procedures, cutting procedures, and payout odds. The gambling game submission, or requests for modification to an approved submission, shall be in writing and approved by the administrator or a commission representative prior to implementation.

11.4(4) *Public notice.* All gambling games shall clearly represent the rules of play, payout schedule, and permitted wagering amounts to the playing public as required by the administrator.

11.4(5) *Operation.* Each gambling game shall operate and play in accordance with the representation made to the commission and the public at all times. The administrator or commission representative may order the withdrawal of any gambling game suspected of malfunction or misrepresentation, until all deficiencies are corrected.

491—11.5(99F) Gambling games authorized.

11.5(1) Dice, craps, roulette, twenty-one (blackjack), big six—roulette, red dog, baccarat, and poker are authorized as table games.

11.5(2) Slot machines, video poker, and all other video games of chance, both progressive and nonprogressive, shall be allowed as slot machine games, subject to the administrator's approval of individual slot machine prototypes and game variations. For racetrack enclosures, "video machine" as used in Iowa Code section 99F.1(9) shall mean video keno and any video machine game version of a table or card game, including but not limited to those listed in subrule 11.5(1).

11.5(3) The administrator is authorized to approve variations of approved gambling games and bonus features or progressive wagers associated with approved gambling games, subject to the requirements of rule 11.4(99F).

491—11.6(99F) Gambling game-based tournaments and contests.

11.6(1) *Proposals.* Proposals for terms, game rules, entry fees, prizes, dates, and procedures must be submitted in writing and approved by a commission representative before a facility conducts any tournament or contest. Any changes to approved tournaments and contests must be submitted to the commission representative for review and approval prior to being implemented. Rules, fees, and a schedule of prizes must be made available to the player prior to entry.

11.6(2) *Limits.* Tournaments and contests must be based on gambling games authorized by the commission. Entry fees, less prizes paid, are subject to the wagering tax pursuant to Iowa Code section 99F.11. In determining adjusted gross receipts, to the extent that prizes paid out exceed entry fees received, the facility shall be deemed to have paid the fees for the participants.

491—11.7(99F) Table game requirements.

11.7(1) Removable storage media in a table game device which controls the randomness of card shufflers or progressive table game meters shall be verified and sealed with evidence tape by a commission representative prior to implementation.

11.7(2) Wagers. All wagers at table games shall be made by placing gaming chips or coins on the appropriate areas of the layout.

11.7(3) Craps. Wagers must be made before the dice are thrown. "Call bets," or the calling out of bets between the time the dice leave the shooter's hand and the time the dice come to rest, not accompanied by the placement of gaming chips, are not allowed.

11.7(4) Twenty-one.

a. Before the first card is dealt for each round of play, each player shall make a wager against the dealer. Once the first card of any hand has been dealt by the dealer, no player shall handle, remove, or alter any wagers that have been made until a decision has been rendered and implemented with respect to that wager. Once a wager on the insurance line, a wager to double down, or a wager to split pairs has been made and confirmed by the dealer, no player shall handle, remove, or alter the wagers until a decision has been rendered and implemented with respect to that wager, except as explicitly permitted. A facility or licensee shall not permit any player to engage in conduct that violates this paragraph.

b. At the conclusion of a round of play, all cards still remaining on the layout shall be picked up by the dealer in a prescribed order and in such a way that they can be readily arranged to indicate each player's hand in case of question or dispute. The dealer shall pick up the cards beginning with those of the player to the far right and moving counterclockwise around the table. The dealer's hand will be the last hand collected. The cards will then be placed on top of the discard pile. No player or spectator shall handle, remove, or alter any cards used to game at twenty-one or be permitted to do so by a casino employee.

c. Each player at the table shall be responsible for correctly computing the point count of the player's hand. No player shall rely on the point counts announced by the dealer without checking the accuracy of such announcement.

11.7(5) Roulette.

a. No person at a roulette table shall be issued or permitted to game with nonvalue gaming chips that are identical in color and design to value gaming chips or to nonvalue gaming chips being used by another person at that same table.

b. Each player shall be responsible for the correct positioning of the player's wager on the roulette layout, regardless of whether the player is assisted by the dealer. Each player must ensure that any instructions the player gives to the dealer regarding the placement of the player's wager are correctly carried out.

c. Each wager shall be settled strictly in accordance with its position on the layout when the ball falls to rest in a compartment of the wheel.

11.7(6) Big six—roulette.

a. Each player shall be responsible for the correct positioning of the player's wager on the layout regardless of whether the player is assisted by the dealer.

b. Each wager shall be settled strictly in accordance with its position on the layout when the wheel stops with the winning indicator in a compartment of the wheel.

11.7(7) Poker.

a. When a facility conducts poker with an impress dealer gaming chip bank, the rules in 491—Chapter 12 for closing and distributing or removing gaming chips to or from gaming tables do not apply. The entire amount of the table rake is subject to the wagering tax pursuant to Iowa Code section 99F.11. Proposals for impress dealer gaming chip banks must be submitted in writing and approved by a commission representative prior to use.

b. All games shall be played according to table stakes game rules as follows:

(1) Only gaming chips or coins on the table at the start of a deal shall be in play for that pot.

(2) Concealed gaming chips or coins shall not play.

(3) A player with gaming chips may add additional gaming chips between deals, provided that the player complies with any minimum buy-in requirement.

(4) A player is never obliged to drop out of contention because of insufficient gaming chips to call the full amount of a bet, but may call for the amount of gaming chips the player has on the table. The excess part of the bet made by other players is either returned to the players or used to form a side pot.

c. Each player in a poker game is required to act only in the player's own best interest. The facility has the responsibility of ensuring that any behavior designed to assist one player over another is prohibited. The facility may prohibit any two players from playing in the same game.

d. Poker games where winning wagers are paid by the facility according to specific payout odds or pay tables are permitted.

11.7(8) Red dog. Before the first card is dealt for each round of play, each player shall make a wager against the dealer. Once the first card of any hand has been dealt by the dealer, no player shall handle, remove, or alter any wagers that have been made until a decision has been rendered and implemented with respect to that wager. Once a wager to double down has been made and confirmed by the dealer, no player shall handle, remove, or alter the wagers until a decision has been rendered and implemented with respect to that wager, except as explicitly permitted.

491—11.8(99F) Keno.

11.8(1) Keno shall be conducted using an automated ticket writing and redemption system where a game's winning numbers are selected by a random number generator.

11.8(2) Each game shall consist of the selection of 20 numbers out of 80 possible numbers, 1 through 80.

11.8(3) For any type of wager offered, the payout must be at least 80 percent.

11.8(4) Multigame tickets shall be limited to 20 games.

11.8(5) Writing or voiding tickets for a game after that game has closed is prohibited.

11.8(6) All winning tickets shall be valid up to a maximum of one year from the date of purchase. The dollar value of all expired and unclaimed winning tickets shall be added to existing keno jackpots in a manner approved by the administrator.

11.8(7) The administrator shall determine minimum hardware and software requirements to ensure the integrity of play. An automated keno system must be proven to accurately account for adjusted gross receipts to the satisfaction of the administrator.

11.8(8) Adjusted gross receipts from keno games shall be the difference between dollar value of tickets written and dollar value of winning tickets as determined from the automated keno system. The wagering tax pursuant to Iowa Code section 99F.11 shall apply to adjusted gross receipts of keno games.

491—11.9(99F) Slot machine requirements.

11.9(1) Movement. Reports must be filed with the commission on the movement of slot machines into and out of the state. Reports must be received in the commission office no later than 15 calendar days after the movement.

11.9(2) Payout percentage. A slot machine game must meet the following maximum and minimum theoretical percentage payouts during the expected lifetime of the game.

a. A slot machine game's theoretical payout must be at least 80 percent and no more than 100 percent of the amount wagered. The theoretical payout percentage is determined using standard methods of probability theory.

b. A slot machine game must have a probability of obtaining the maximum payout greater than 1 in 17,000,000.

11.9(3) Unless otherwise authorized by the administrator, each slot machine in a casino shall have the following identifying features:

a. A manufacturer's serial number that is firmly attached and visible.

b. A casino number at least two inches in height permanently imprinted, affixed, or impressed on the outside of the machine so that the number may be observed by the surveillance camera.

c. A display located conspicuously on the slot machine that automatically illuminates when a player has won a jackpot not paid automatically and totally by the slot machine and which advises the player to see an attendant to receive full payment.

d. A display on the front of the slot machine that clearly represents its rules of play, character combinations requiring payouts, and the amount of the related payouts. In addition, a facility shall display on the slot machine a clear description of any merchandise or thing of value offered as a payout including the cash equivalent value of the merchandise or thing of value offered, the dates the merchandise or thing of value will be offered if the facility establishes a time limit upon initially offering the merchandise or thing of value, and the availability or unavailability to the patron of the optional cash equivalent value.

e. A mechanical, electrical, or electronic device that automatically precludes a player from operating the slot machine after winning a jackpot requiring a manual payout. The device must require an attendant to reactivate the machine.

f. A light on the pedestal above the slot machine that automatically illuminates when the door to the slot machine or any device connected which may affect the operation of the slot machine is opened.

g. Test connections as may be specified and approved by the administrator for the on-site inspection, examination, and testing of the machine.

h. Devices, equipment, features, and capabilities, as may be required by the commission, that are specific to that slot machine after the prototype model is approved by the commission.

11.9(4) Storage media. Hardware media devices which contain game functions or characteristics, including but not limited to pay tables and random number generators, shall be verified and sealed with evidence tape by a commission representative prior to being placed in operation, as determined by the administrator.

11.9(5) Posting. A weighted average of the theoretical payout percentage, as defined in subrule 11.9(2), for all slot machine games shall be posted at the main casino entrance, cashier cages, and slot booths.

491—11.10(99F) Slot machine hardware and software requirements.

11.10(1) *Hardware specifications.*

a. Electrical and mechanical parts and design principles shall not subject a player to physical hazards.

b. A surge protector must be installed on the line that feeds power to a slot machine. The battery backup, or an equivalent, for the electronic meters must be capable of maintaining accuracy of all information required for 180 days after power is discontinued from a slot machine. The backup shall be kept within the locked logic board compartment.

c. An on/off switch that controls the electrical current used in the operation of a slot machine and any associated equipment must be located in an accessible place within the interior of the slot machine.

d. The operation of each slot machine must not be adversely affected by static discharge or other electromagnetic interference.

e. A minimum of one electronic coin acceptor must be installed in each slot machine with the exception of coinless or coin-free games. Coinless or coin-free games are defined as slot machines that do not have a hopper mechanism and do not utilize coin in the operation of the game. Approval letters and test reports of electronic coin acceptors from other state or federal jurisdictions may be submitted. However, all coin acceptors are subject to approval by the administrator.

f. The internal space of a slot machine shall not be readily accessible when the front door is both closed and locked.

g. Logic boards and software EPROMs must be in a locked compartment within the slot machine.

h. The drop container must be in a locked compartment within or attached to the slot machine.

i. No hardware switches may be installed that alter the pay tables or payout percentages in the operation of a slot machine. Hardware switches may be installed to control graphic routines, speed of play, and sound.

j. An unremovable identification plate must appear on the exterior of the slot machine that contains the following information:

- (1) Manufacturer.
- (2) Serial number.
- (3) Model number.

k. The rules of play for each slot machine must be displayed on the face or screen. Rules may be rejected if they are incomplete, confusing, or misleading. Each slot machine must also display the credits wagered and the credits awarded for the occurrence of each possible winning combination based on the number of credits wagered. All information required by this subrule shall be kept under glass or another transparent surface and at no time may stickers or other removable items be placed on the slot machine face that make the required information unreadable.

l. Equipment must be installed that enables the machine to communicate with a central computer system accessible to commission representatives using a communications protocol provided to each licensed manufacturer by the commission for the information and control programs approved by the administrator.

11.10(2) *Software requirements—random number generator.* Each slot machine must have a random number generator that will determine the occurrence of a specific card, number, or stop. A selection process will be considered random if it meets the following requirements:

a. Each card, number, or stop satisfies the 99 percent confidence limit using the standard chi-squared analysis. “Chi-squared analysis” is the sum of the squares of the difference between the expected result and the observed result.

b. Each card, number, or stop does not produce a significant statistic with regard to producing patterns of occurrences. Each card, number, or stop will be considered random if it meets the 99 percent confidence level with regard to the runs test or any similar pattern-testing statistic. The “runs test” is a mathematical statistic that determines the existence of recurring patterns within a set of data.

c. Each card, number, or stop position is independently chosen without regard to any other card, number, or stop within that game play. This test is the “correlation test.” Each pair of card, number, or stop positions is considered random if it meets the 99 percent confidence level using standard correlation analysis.

d. Each card, number, or stop position is independently chosen without reference to the same card, number, or stop position in the previous game. This test is the “serial correlation test.” Each card, number, or stop position is considered random if it meets the 99 percent confidence level using standard serial correlation analysis.

11.10(3) *Continuation of game after malfunction is cleared.* Each slot machine must be capable of continuing the current game with all current game features after a malfunction is cleared. This rule does not apply if a slot machine is rendered totally inoperable; however, the current wager and all credits appearing on the screen prior to the malfunction must be returned to the player.

11.10(4) *Software requirements—play transaction records.* Each slot machine must maintain electronic accounting meters at all times, regardless of whether the slot machine is being supplied with power. Each meter must be capable of maintaining totals no fewer than six digits in length for the information required in “a” to “d” below. The electronic meters must record the following:

- a.* Total number of coins inserted.
- b.* Total number of coins paid out.
- c.* Total number of coins dropped to drop container.
- d.* Total number of credits wagered.
- e.* Total number of credits won.
- f.* Total number of credits paid out.
- g.* Number of times the logic area was accessed.
- h.* Number of times the cash door of the device was accessed.
- i.* Number of coins or credits wagered in the current game.
- j.* Total credits for games won but not collected, commonly referred to as the credit meter.

The meters required in “a,” “b,” and “c” above shall be placed in a position so that the number thereon can be read without opening the slot machine.

No slot machine may have a mechanism by which an error will cause the electronic accounting meters to automatically clear. Clearing of the electronic accounting meters may be completed only after notification and approval by a commission representative. All meter readings must be recorded both before and after the electronic accounting meter is cleared.

11.10(5) *Software requirements—error conditions—automatic clearing.* Slot machines must be capable of detecting and displaying the following conditions, which must be automatically cleared by the slot machine upon initiation of a new play sequence at the start of the second game.

- a.* Power reset.
- b.* Door open.

491—11.11(99F) Slot machine specifications.**11.11(1) Error conditions.**

a. Slot machines must be capable of detecting and displaying the following error conditions which are manually cleared:

- (1) Coin-in jam.
- (2) Coin-out jam.
- (3) Hopper empty or timed out.
- (4) RAM error.
- (5) Hopper runaway or extra coins paid out.

(6) Low RAM battery, for batteries external to the RAM itself. A battery approved by a commission representative that is replaced pursuant to its manufacturer's specifications or as specified in the prototype approval report, whichever is sooner, may be installed in lieu of the low RAM battery error condition.

b. A description of slot machine error codes and each code's meaning must be affixed inside the slot machine.

11.11(2) Hopper mechanism. Slot machines equipped with a hopper must be designed to detect jammed coins, extra coins paid out, hopper runaways, and hopper empty conditions. The slot machine control program must monitor the hopper mechanism for these error conditions in all game states. All coins paid from the hopper mechanism must be accounted for by the slot machine, including those paid as extra coins during a hopper malfunction.

491—11.12(99F) Progressive slot machines.

11.12(1) Meter required. A progressive machine is a slot machine game with a jackpot payout that increases as the slot machine is played. A progressive slot machine or group of linked progressive slot machines must have a meter showing the progressive jackpot payout.

11.12(2) Progressive controllers. The reset or base value and the rate of increment of a progressive game must be approved by a commission representative prior to implementation. A reset or base value must equal or exceed the equivalent nonprogressive jackpot payout.

11.12(3) Limits. A facility may impose a limit on the progressive jackpot payout of a slot machine if the limit imposed is greater than the progressive jackpot payout at the time the limit is imposed. The facility must prominently display a notice informing the public of the limit. No progressive meter may be turned back to a lesser amount unless one of the following circumstances occurs:

- a. The amount shown on the progressive meter is paid to a player as a jackpot.
- b. It is necessary to adjust the progressive meter to prevent it from displaying an amount greater than the limit imposed by the facility.
- c. It is necessary to change the progressive indicator because of game malfunction.

11.12(4) Transfer of jackpots. A progressive jackpot may be transferred to another progressive slot machine at the same facility in the event of malfunction, replacement, or for other good reason. A commission representative shall be notified in writing prior to a transfer.

11.12(5) Records required. Records must be maintained that record the amount shown on a progressive jackpot meter. Supporting documents must be maintained to explain any reduction in the pay-off amount from a previous entry. The records and documents must be retained for a period of three years unless permission to destroy them earlier is given in writing by the administrator.

11.12(6) Transfer of progressive slot machines. A progressive slot machine, upon permission of the administrator, may be moved to a different facility if a bankruptcy, loss of license, or other good cause warrants.

11.12(7) Linked machines. Each machine on the link must have the same probability of hitting the combination that will award the progressive jackpot.

11.12(8) *Wide area progressive systems.* A wide area progressive system is a method of linking progressive slot machines or electronic gaming machines across telecommunication lines as part of a network connecting participating facilities. The purpose of a wide area progressive system is to offer a common progressive jackpot (system jackpot) at all participating locations. The operation of a wide area progressive system (multilink) is permitted subject to the following conditions:

a. The method of communication over the multilink must consist of dedicated on-line communication lines (direct connect), dial-tone lines, or wireless communication which may be subject to certain restrictions imposed by the administrator.

b. All communication between each facility location and the central system site must be encrypted.

c. All meter reading data must be obtained in real time in an on-line automated fashion. When requested to do so, the system must return meter readings on all slot machines or electronic gaming machines attached to the multilink within a reasonable time of the meter acquisition request. Manual reading of meter values may not be substituted for these requirements. There is no restriction as to the acceptable method of obtaining meter reading values, provided that the methods consist of either pulses from any machine computer board or associated wiring, or the use of serial interface to the machine's random access memory (RAM) or other nonvolatile memory.

d. The multilink must have the ability to monitor entry into the front door of the machine as well as the logic area of the machine and report such data to a central system.

e. The central system site must be located in the state of Iowa, be equipped with a noninterruptible power supply, and the central computer must be capable of on-line data redundancy should hard disk peripherals fail during operation. The office containing the central computer shall be equipped with a surveillance system that has been approved by the administrator. Any person authorized to provide a multilink shall be required to keep and maintain an entry and exit log for the office containing the central computer. Any person authorized to provide a multilink shall provide access to the office containing the central computer to the administrator and shall make available to the administrator all books, records, and information required by the administrator in fulfilling its regulatory purpose.

f. Any person authorized to provide a multilink must suspend play on the multilink if a communication failure of the system cannot be corrected within 24 consecutive hours.

g. Approval by a commission representative of any multilink shall occur only after the administrator has reviewed the multilink software and hardware and is satisfied that the operation of the system meets accepted industry standards for multilink products, as well as any other requirements that the administrator may impose to ensure the integrity, security, and legal operation of the multilink.

h. A meter that shows the amount of the system jackpot must be conspicuously displayed at or near the machines to which the jackpot applies. The system jackpot meter need not precisely show the actual moneys in the system jackpot award at each instant. Nothing shall prohibit the use of odometer or other paced updating progressive displays. In the case of the use of paced updating displays, the system jackpot meter must display the winning value after the jackpot broadcast is received from the central system, providing the remote site is communicating to the central computer. If a system jackpot is recognized in the middle of a systemwide poll cycle, the system jackpot display may contain a value less than the aggregated amount calculated by the central system. The coin values from the remaining portion of the poll cycle will be received by the central system but not the local site, in which case the system jackpot amount paid will always be the higher of the two reporting amounts.

i. When a system jackpot is won, a person authorized to provide the multilink and the trustee(s) provided for in paragraph “*n*,” subparagraph (1), shall have the opportunity to inspect the machine, EPROM, the error events received by the central system, and any other data which could reasonably be used to ascertain the validity of the jackpot.

(1) The central system shall produce reports that will clearly demonstrate the method of arriving at the payoff amount. This shall include the coins contributed beginning with the polling cycle immediately following the previous jackpot and will include all coins contributed up to, and including, the polling cycle, which includes the jackpot signal. Coins contributed to and registered by the system before the jackpot message is received will be deemed to have been contributed to the progressive amount prior to the current jackpot. Coins contributed to the system subsequent to the jackpot message’s being received as well as coins contributed to the system before the jackpot message is received by the system, but registered after the jackpot message is received at the system, will be deemed to have been contributed to the progressive amount of the next jackpot.

(2) The system jackpot may be disbursed in periodic payments as long as each machine clearly displays the fact that the jackpot will be paid in such periodic payments. In addition, the number of periodic payments and time between payments must be clearly displayed on the face of the slot machine in a nonmisleading manner.

(3) Two system jackpots which occur in the same polling cycle before the progressive amount can reset will be deemed to have occurred simultaneously; therefore, each winner shall receive the full amount shown on the system jackpot meter.

j. Any person authorized to provide a multilink must supply to the commission and the trustee(s), as requested, reports which support and verify the economic activity of the system.

(1) Any person authorized to provide a multilink must supply to the commission and the trustee(s), as requested, reports and information indicating the amount of, and basis for, the current system jackpot amount. Such reports may include an aggregate report and a detail report. The aggregate report may show only the balancing of the system with regard to systemwide totals. The detail report shall be in such form as to indicate for each machine, summarized by location, the coin-in totals as such terms are commonly understood in the industry.

(2) In addition, upon the invoicing of any facility participating in a multilink, each such facility must be given a printout of each machine operated by that facility, the coins contributed by each machine to the system jackpot for the period for which an invoice is remitted, and any other information required by the commission to confirm the validity of the facility’s contributions to the system jackpot.

k. In calculating adjusted gross receipts, a facility may deduct its pro-rata share of the present value of any system jackpots awarded. Such deduction shall be listed on the detailed accounting records provided by the person authorized to provide the multilink. A facility’s pro-rata share is based on the number of coins in from that facility’s machines on the multilink, compared to the total amount of coins in on the whole system for the time period(s) between jackpot(s) awarded.

l. In the event a facility ceases operations and a progressive jackpot is awarded subsequent to the last day of the final month of operation, the facility may not file an amended wagering tax submission or make a claim for a wagering tax refund based on its contributions to that particular progressive prize pool.

m. A facility, or an entity that is licensed as a manufacturer or distributor, shall provide the multilink, in accordance with a written agreement which shall be reviewed and approved by the commission prior to offering the jackpots. A trust maintained by the participating facilities shall be established to control the system jackpot fund (trust fund) provided for in paragraph “*n*,” subparagraph (3).

n. The payment of any system jackpot offered on a multilink shall be administered by the trustee(s) in accordance with a written trust agreement which shall be reviewed and approved by the commission prior to the offering of the jackpot. The trustee(s) may contract with a licensed manufacturer or distributor to administer the trust fund. The trust agreement shall require the following:

(1) Any facility participating in offering the system jackpot shall serve as trustee for the trust fund.

(2) Any facility shall be jointly and severally liable for the payment of system jackpots won on a multilink in which the licensee is or was a participant at the time the jackpot was won.

(3) The moneys in the trust fund shall consist of the sum of funds invoiced to the facilities and received by the trust from the facilities with respect to each particular system, which invoices shall be based on a designated percentage of the handle generated by all machines linked to the particular system; any income earned by the trust; and sums borrowed by the trust and any other property received by the trust. Prior to the payment of any other expenses, the trust funds shall be used to purchase Iowa state-issued debt instruments or United States Treasury debt instruments in sufficient amounts to ensure that the trust will have adequate moneys available in each year to make all system jackpot payments which are required under the terms of the multilink.

(4) A reserve shall be established and maintained within the trust fund sufficient to purchase any United States Treasury or Iowa state debt instruments required as system jackpots are won (systems reserves). For purposes of this rule, the system reserves shall mean an amount equal to the sum of the present value of the aggregate remaining balances owed on all jackpots previously won by patrons on the multilink; the present value of the amount currently reflected on the system jackpot meters of the multilink; and the present value of one additional reset (start amount) on such systems.

(5) The trust shall continue to be maintained until all payments owed to winners of the system jackpots have been made.

(6) For system jackpots disbursed in periodic payments, any United States Treasury or Iowa state debt instruments shall be purchased within 90 days following notice of the win of the system jackpot, and a copy of such debt instruments will be provided to the commission office within 30 days of purchase. Any United States Treasury or Iowa state debt instrument shall have a surrender value at maturity, excluding any interest paid before the maturity date, equal to or greater than the value of the corresponding periodic jackpot payment, and shall have a maturity date prior to the date the periodic jackpot payment is required to be made.

(7) The trustee(s) shall not be permitted to sell, trade, or otherwise dispose of any United States Treasury or Iowa state debt instruments prior to maturity unless approval to do so is first obtained from the commission.

(8) Upon becoming aware of an event of noncompliance with the terms of the approved trust agreement or reserve requirement mandated by subparagraph (4) above, the trustee(s) must immediately notify the commission of such event. An event of noncompliance includes a nonpayment of a jackpot periodic payment or a circumstance which may cause the trustee(s) to be unable to fulfill, or otherwise impair, its ability to satisfy its jackpot payment obligations.

(9) With the exception of the transfer to the estate or heir(s) of a deceased system jackpot winner, or to the estate or heir(s) of such transferee upon death, or the granting of a first priority lien to the trust to secure repayment of a tax loan to the winner should a tax liability on the full amount of the jackpot be assessed by the Internal Revenue Service against the winner, no interest in income or principal shall be alienated, encumbered, or otherwise transferred or disposed of in any way by any person while in the possession and control of the trust.

(10) On a quarterly basis, the trustee(s) must deliver to the commission office a calculation of system reserves required under subparagraph (4) above.

(11) The trust must be audited, in accordance with generally accepted auditing standards, on the fiscal year of the trust by an independent certified public accountant. Two copies of the report must be submitted to the commission office within 90 days after the conclusion of the trust's fiscal year.

o. For system jackpots disbursed in periodic payments, subsequent to the date of the win, a winner may be offered the option to receive, in lieu of periodic payments, a discounted single cash payment in the form of a “qualified prize option,” as that term is defined in Section 451(h) of the Internal Revenue Code. The trust administrator shall calculate the single cash payment based on the discount rate. “Discount rate” means either the current prime rate as published in the Wall Street Journal or a blended rate computed by obtaining quotes for the purchase of U.S. Government Treasury Securities at least three times per month. The discount rate selected by the trust administrator shall be used to calculate the single cash payment for all qualified prizes that occur subsequent to the date of the selected discount rate, until a new discount rate becomes effective.

491—11.13(99F) Licensing of manufacturers and distributors of gambling games or implements of gambling.

11.13(1) *Impact on gambling.* In considering whether a manufacturer or distributor applicant will be licensed or a specific product will be distributed, the administrator shall give due consideration to the economic impact of the applicant’s product, the willingness of a licensed facility to offer the product to the public, and whether its revenue potential warrants the investigative time and effort required to maintain effective control over the product.

11.13(2) *Licensing standards.* Standards which shall be considered when determining the qualifications of an applicant shall include, but are not limited to, financial stability; business ability and experience; good character and reputation of the applicant as well as all directors, officers, partners, and employees; integrity of financial backers; and any effect on the Iowa economy.

11.13(3) *Application procedure.* Application for a manufacturer’s or a distributor’s license shall be made to the commission for approval by the administrator. In addition to the application, the following must be completed and presented when the application is filed:

a. Disclosure of ownership interest, directors, or officers of licensees.

(1) An applicant or licensee shall notify the administrator of the identity of each director, corporate officer, owner, partner, joint venture participant, trustee, or any other person who has any beneficial interest of 5 percent or more, direct or indirect, in the business entity. For any of the above, as required by the administrator, the applicant or licensee shall submit background information on forms supplied by the division of criminal investigation and any other information the administrator may require.

For purposes of this rule, beneficial interest includes all direct and indirect forms of ownership or control, voting power, or investment power held through any contract, lien, lease, partnership, stockholding, syndication, joint venture, understanding, relationship (including family relationship), present or reversionary right, title or interest, or otherwise.

(2) For ownership interests of less than 5 percent, the administrator may request a list of these interests. The list shall include names, percentages owned, addresses, social security numbers, and dates of birth. The administrator may request the same information required of those individuals in subparagraph (1) above.

b. Investigative fees.

(1) Advance payment. The department of public safety may request payment of the investigative fee in advance as a condition to beginning investigation.

(2) Payment required. The administrator may withhold final action with respect to any application until all investigative fees have been paid in full.

c. A bank or cashier’s check made payable to the Iowa Racing and Gaming Commission for the annual license fee as follows:

(1) A manufacturer’s license shall be \$250.

(2) A distributor’s license shall be \$1,000.

- d.* A copy of each of the following:
 - (1) Articles of incorporation and certificate of incorporation, if the applicant is a corporation.
 - (2) Partnership agreement, if the business entity is a partnership.
 - (3) Trust agreement, if the business entity is a trust.
 - (4) Joint venture agreement, if the business entity is a joint venture.
 - (5) List of employees of the aforementioned who may have contact with persons within the state of Iowa.
- e.* A copy of each of the following types of proposed distribution agreements, where applicable:
 - (1) Purchase agreement(s).
 - (2) Lease agreement(s).
 - (3) Bill(s) of sale.
 - (4) Participation agreement(s).
- f.* Supplementary information. Each applicant shall promptly furnish the administrator with all additional information pertaining to the application or the applicant which the administrator may require. Failure to supply the information requested within five days after the request has been received by the applicant shall constitute grounds for delaying consideration of the application.
- g.* Any and all changes in the applicant's legal structure, directors, officers, or the respective ownership interests must be promptly filed with the administrator.
- h.* The administrator may deny, suspend, or revoke the license of an applicant or licensee in which a director, corporate officer, or holder of a beneficial interest includes or involves any person or entity which would be, or is, ineligible in any respect, such as through want of character, moral fitness, financial responsibility, professional qualifications, or due to failure to meet other criteria employed by the administrator, to participate in gaming regardless of the percentage of ownership interest involved. The administrator may order the ineligible person or entity to terminate all relationships with the licensee or applicant, including divestiture of any ownership interest or beneficial interest at acquisition cost.
- i.* Disclosure. Disclosure of the full nature and extent of all beneficial interests may be requested by the administrator and shall include the names of individuals and entities, the nature of their relationships, and the exact nature of their beneficial interest.
- j.* Public disclosure. Disclosure is made for the benefit of the public, and all documents pertaining to the ownership filed with the administrator shall be available for public inspection.

11.13(4) *Temporary license certificates.*

- a.* A temporary license certificate may be issued at the discretion of the administrator.
 - b.* Temporary licenses—period valid. Any certificate issued at the discretion of the administrator shall be valid for a maximum of 120 calendar days from the date of issue.
- Failure to obtain a permanent license within the designated time may result in revocation of the license eligibility, fine, or suspension.

11.13(5) *Withdrawal of application.* A written notice of withdrawal of application may be filed by an applicant at any time prior to final action. No application shall be permitted to be withdrawn unless the administrator determines the withdrawal to be in the public interest. No fee or other payment relating to any application shall become refundable by reason of withdrawal of the application.

11.13(6) *Record keeping.*

a. Record storage required. Distributors and manufacturers shall maintain adequate records of business operations, which shall be made available to the administrator upon request. These records shall include:

- (1) All correspondence with the administrator and other governmental agencies on the local, state, and federal level.
- (2) All correspondence between the licensee and any of its customers who are applicants or licensees under Iowa Code chapter 99F.

(3) A personnel file on each employee of the licensee, including sales representatives.

(4) Financial records of all transactions with facilities and all other licensees under these regulations.

b. Record retention. The records listed in 11.13(6)“a” shall be retained as required by 491—subrule 5.4(14).

11.13(7) *Violation of laws or regulations.* Violation of any provision of any laws of the state or of the United States of America or of any rules of the commission may constitute an unsuitable method of operation, subjecting the licensee to limiting, conditioning, restricting, revoking or suspending the license, or fining the licensee, or any combination of the above.

11.13(8) *Consent to inspections, searches, and seizures.* Each manufacturer or distributor licensed under this chapter shall consent to inspections, searches, and seizures deemed necessary by the administrator and authorized by law in order to enforce licensing requirements.

These rules are intended to implement Iowa Code chapter 99F.

[Filed 10/13/00, Notice 9/6/00—published 11/1/00, effective 12/6/00]